

31 March 1978

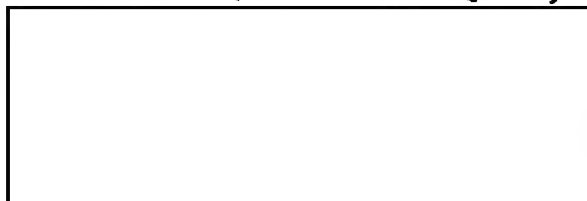
25X1 MEMORANDUM FOR: [REDACTED]
Office of Legislative Counsel

25X1 FROM: [REDACTED]
Deputy Director of Medical Services

SUBJECT: Proposed Bill Entitled, "Federal
Physicians' Pay Act of 1973"

- I. The proposed bill for a Federal Physician Pay Plan to provide pay equity for physicians within the Federal service and comparability with private physicians' incomes is a worthy goal. Since we do not know any specific details of the Pay Plan and do not know how soon this will be enacted or if it will be enacted, we favor the enactment into law of S. 990 and H.R. 4620 (Federal Physicians Comparability Act of 1976) with the amendments outlined to you in our 30 March 1978 memorandum on the following subject, "Suggested Amendments to H.R. 4620". Passage of these bills would provide a short-term interim solution to the inequitable pay status of Federal civilian physicians and alleviate recruitment and retention problems, while a long-term solution such as that proposed by the "Federal Physicians' Pay Act of 1973" is worked out.
- II. It appears this bill, as H.R. 4620 and S. 990, does not provide specific coverage for the Agency physicians. Since it is our understanding the Agency does not want to be included in any bill that subjects the Agency program to a CSC audit but would find oversight committee audits acceptable, it is requested the Agency work to have Agency physicians covered by these bills without audits, with audits by the oversight committees or obtain a written interpretation from OSC of the previous verbal report that Agency physicians could be extended the benefits of H.R. 4620 and S. 990 under the Director authority for the Agency once they are passed.

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III. Having stated the above, the following comments are offered on the proposed bill entitled "Federal Physicians' Pay Act of 1973":

1. Page 1 Line 17 and 18: We would like to see a numerical or percentage value stipulated concerning entrepreneurial aspects.
2. - Page 3 Line 6: We would like the following sentence to be inserted after the word title, "The Federal Physicians' Pay Plan is to be developed within one year of enactment of this bill into law."
3. Page 4 Lines 14 and 15: Rework the last sentence to state the following: "The President shall designate one of the members to serve as Chairperson for a two-year period."
4. Page 5 Lines 18 to 22: How will the Board decide pay policies and determinations? Who will have an opportunity to provide input outside of the Board and its own planned activities? It would be desirable to have some specifics inserted in this section. We would like to see the following inserted after "needs" on line 22: "and will at least be comparable to present practices."
5. Page 7 Lines 16 through 19: The wording "shall be continuously subject to call unless officially excused by proper authority" seems to provide the opportunity for a system of call to be developed by a medical office within an agency as there is coverage by designated physicians while other physicians on the staff are free of duty. If this is done then it is acceptable. If this kind of a call system is not possible and each physician is going to be required to be subject to call as outlined in the bill, it is not acceptable.
6. Page 15 Lines 15 to 22: We have read and reread this several times and it is difficult to grasp. We do not understand from the material presented how an individual will not lose pay by reason of conversion to the Plan, but if this is indeed what will occur then it is acceptable.

7. We did not see anything in the bill which indicates the physicians' pay level provided under the Plan will not be limited by Section 5303 of Title 5 to the rate of Level V of the Executive Schedule or some other statutory equivalent. We feel a statement should be placed in the bill which stipulates pay levels under the Plan will not have a statutory limit or will be one higher than Level V of the Executive Schedule.
8. One page 3 of the accompanying material entitled, "Statement of Purpose and Justification", the following statement is made: "The President could also extend these provisions to those few Federal Physicians who are not now covered by the temporary legislation." This refers to extending the VIP of the Uniformed Services and the special pay of the VA physicians until the Federal Physicians' Pay Plan is implemented. We do not see this authority being extended to the President by any of the wording of the proposed bill. If this authority is in the bill, it is fine; we would like to have it pointed out for us.

IV. The following material is provided as responses to the Supplementary Questions:

1. The Office of Medical Services has [] Full-time physician positions. [] are assigned to Headquarters [] are serving overseas. [] physicians are engaged with the management of total Agency Medical Program. However, their administrative responsibilities involve professional medical judgments as well. All other physicians in Headquarters are primarily engaged in professional activities involving health care and examination of Agency employees, dependents and assets. []
2. The Agency is unable to maintain a full complement of qualified physicians because of recruitment and retention problems. A yearly time series of physician quits and vacancy rate for FY. 1972 through the present is as follows:

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<u>Year</u>	<u>Quit Rate</u>	<u>Vacancies</u>
1972	5	3
1973	5	5
1974	2	2
1975	3	3
1976	5	5
1977	0	1
1978*	3	3

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*Projected losses through July 1978

The problems in recruiting and retaining qualified physicians are categorized as follows:

Recruitment

- Salary requirements
- Agency physicians are not competitive with special and incentive pay provided physicians in the VA, Uniformed Services, industry and private practice
- Security rejections
- Personal assignment preference
- Too specialized
- Recent Peace Corps service
- Medical problem
- Military retirees
- Age greater than 60

Retention

- Agency is unable to match salary/benefits payed to other U.S. Government physicians residing abroad
- High cost of living overseas
- Increased personal risks to a physician and his family
- Somewhat tarnished reputation of the Agency
- Size of geographic areas the physician (RMO) must cover
- Limited general medical practice
- Generally, the low grades of physician positions overseas occasionally invites problems when trying to deal with a much higher graded administrator

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3. Alleviation of recruitment and retention difficulties and inequitable pay status of Agency civilian physicians:

- a. Since OMS of the Agency does not have any medical students on medical scholarships, who would be new employees, the Agency does not see much direct alleviation from the forecasted increased physician supply in the 1980's as an outgrowth of the obligated service of students on medical scholarship. This is an area that could be explored with HEN and DoD where the vast majority of these students will have their obligation.
- b. The CSC proposal has potential for assisting in rectifying the subject problems, but without the specifics of the actual Pay Plan, any comments would merely be speculative.
- c. The use of temporary bonuses for civilian physicians should significantly alleviate the subject problems. The reason we feel this way is the following: As with the Uniformed Services and the VA, the principal reason for recruiting and retaining difficulties is the inability to meet salary requirements. Since the utilization of temporary bonuses has resulted in documented improvement in recruitment and retention of physicians in the Uniformed Services and VA, we have every reason to believe this would work for the Agency..

4. Estimates of the five-year costs for the alternative discussed in No. 3:

- a. Medical student scholarship program: Probably no additional cost.
- b. Federal Physicians' Pay Plan: Impossible to estimate since there are no details provided regarding salaries.

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c. Bonuses:



5. a. The advantages in establishing a Federal compensation system for a single occupational group, e.g., physicians:
- (1) Allows the government to compete in the open market for the best qualified physician talent.
 - (2) Having highly qualified physicians in government should result in medical and health care of the highest quality and should result in new innovative programs.
- b. The disadvantages of setting up single occupation pay groups:
- (1) It could create resentment in other Federal employees if they earn less than individuals in special occupational pay groups.
 - (2) It could stimulate other occupational groups to request separate pay systems for each of their respective groups. If approved this could complicate the Federal accounting system for pay because of the increased complexity created by additional pay systems.
6. a. The advantages of establishing Federal physician compensation based on that of non-Federal physicians are the same as those outlined in 5.a.
- b. The disadvantages of establishing Federal physicians compensation based on that of non-Federal physicians would seem to lie in comparison to the self-employed individual or group. It appears there should be some

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reduction of Federal compensation based on the entrepreneurial risk of the private M.D.

- c. The advantages of paying physicians in non-patient duties the same as physicians in care duties are the following:

(1) This would tend to attract physicians with comparable abilities to both areas.

(2) It would tend to equalize the quality of decision making in both areas.

- d. The disadvantages of paying physicians in non-patient work less than physicians in care areas are as follows:

(1) It would create ill feelings on the part of non-care physicians because they would be paid less for equivalent hours of service.

(2) It would decrease the attractiveness of non-care areas which would tend to lower the quality of individuals seeking this area and thereby lower the quality of service in the non-care area.

(3) If the care area physicians had extra duty that non-care physicians didn't, then the care area physicians should get some differential. If the two groups had equivalent call duty then there should not be any differential.

7. Yes, we concur that physicians should be exempted from the pay ceiling imposed on Federal employees. We would hope this would help to accomplish the removal of the pay ceiling for all Federal employees. The rationale for this is that Federal executives should be compensated equitably with private industry executives and they have not been receiving equal protection of the law when compared to the pay raises provided GS-15 and below and retirees.

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3. a. If the PHS-commissioned corps is really treated as the uniformed military physicians, they should be subject to 24-hour call, worldwide TDY and assignment, assignment to war areas. If they are essentially civilians who periodically wear a uniform, they should be grouped together with the other Federal civilian physicians.
- b. Including all physicians in one pay system with the following characteristics would appear to have no disadvantages:
- (1) General uniformity of pay
 - (2) Flexibility to recognize the uniqueness of service within given agencies and types of duty
 - (3) Pay based on comparability with the private sector
 - (4) Removal of the ceiling on Federal employee salaries
- c. If the pay system lacked any of the qualities delineated then it would have obvious disadvantages based on what is lacking.
9. As stated in the opening paragraph, we favor the use of the temporary bonuses offered by H.R. 4620 and S. 990 to serve as a short-term interim solution to alleviate recruitment and retention difficulties and to provide comparable pay with the Uniformed Service and VA physicians. Therefore, we support passage of H.R. 4620 and S. 990 with the amendments suggested by the CSC. Following this the proposed bill and other alternatives can be thoroughly discussed to develop and implement Federal Physicians' Pay System.

signed



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(31 March 78)